

## Eshoo Testifies in Senate for Permanent Internet Tax Moratorium

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Washington, D.C. -- Congresswoman Anna G. Eshoo made the following statement today in testimony before the Senate Committee on Commerce, Science and Transportation in support of H.R. 743, the Permanent Internet Tax Freedom Act of 2007, which she introduced in the House January.

"Good morning Mr. Chairman. I'm pleased to be here to testify about my legislation, H.R. 743, the Permanent Internet Tax Freedom Act of 2007. This legislation has strong bipartisan support in the House, with 70 cosponsors.

"It's an honor to join with my friend and your colleague, Senator Ron Wyden, in this effort, as well as Rep. Bob Goodlatte in the House. Senator Wyden has been a leader on this issue since the first moratorium was signed into law by President Clinton in 1998, and he continues to be a great champion for the Internet, innovation, and technology.

"When this issue first came to prominence in the late 1990's, my congressional district which is home to Silicon Valley, was bustling with activity in the burgeoning Internet sector.

"From the end of 1997 to the end of 1998, the number of Internet users more than doubled from 70 to 147 million, and the 2 millionth domain name was registered in May of 1998.

"In September of '98 a small, start-up company was also incorporated in a garage in Menlo Park - Google, Inc.

"Congress and President Clinton recognized the promise of the Internet and the need to foster its growth and development by maintaining an open architecture with limited barriers to entry, and minimal regulatory and administrative burdens.

"Of particular concern was the potential for Internet access and services to become a target for government taxing authorities seeking new sources of revenue.

"We recognized at that time that it wouldn't serve our country well to interfere with the growth of this exciting and

invaluable tool for information, communications, and commerce, and we prohibited new and discriminatory taxes on the Internet.

"The moratorium has served us well and the Internet is now an integral part of everyday life. Americans across the country utilize the Internet for communication, commerce, business, education and research.

"Now is not the time to reverse course and kill GoldenGoose.com. It's more critical now than at any time since the moratorium was established to protect the Internet from new taxes and fees.

"The country that invented the Internet no longer leads the world in Internet access and use. According to the most recent data, the U.S. now ranks 15th in broadband penetration among all industrialized countries.

"I believe Congress should make a commitment to provide universal broadband access to all Americans. Universal broadband isn't just something we should do ... it's something we must do if we are to remain competitive in the 21st Century global economy.

"Broadband services are expanding and more American consumers are subscribing to it but we still lag behind most of our global competitors, particularly regarding true high-speed broadband service that will allow the U.S. to remain a leader in communications technology.

"Access to these high-speed services and applications will revolutionize business, healthcare, entertainment, and education in our country, but only if all Americans have affordable access to advanced broadband service.

"I can't think of a faster way to retreat from this important goal than to permit new taxes on Internet access and services.

"These taxes are also inherently regressive and would hit low-income households the hardest, widening the breach of the "Digital Divide."

"According to economic studies, only 11 percent of households with incomes below \$30,000 have broadband service, compared to 61 percent of households with incomes above \$100,000, and high prices prevent consumers from upgrading to broadband.

"Some have argued that we should enact another temporary moratorium rather than establish the certainty that a permanent moratorium would provide. The basis for these arguments seems to be that state and local taxing authorities should be given time to streamline and simplify the various sales taxes assessed by the 7,500 taxing jurisdictions

throughout the country.

"These arguments simply don't hold water. First, nothing in this bill prohibits states and local governments from collecting use taxes from their residents on purchases made on the Internet, over the phone, or by mail order. It simply leaves in place the status quo that distant businesses cannot be forced to calculate and collect these taxes for them.

"The promise of streamlining and simplification is also illusory. These discussions have been underway for over a decade, and little or no progress is evident. In fact, the multi-state discussions on a simplified nationwide sales tax system have dwindled to 15 states, not including any of the nation's six most populous states: California, Texas, New York, Florida, Illinois, and Pennsylvania.

"It's hard to see how these discussions will bear fruit and it's difficult to justify tying the enactment of a permanent moratorium on new and discriminatory Internet taxes to this debate.

"It's critical for Congress to enact a permanent moratorium:

- 1. To reflect our commitment to universal broadband in America;
- 2. To provide certainty to the entire Internet community that access to the Net will remain tax free;
- 3. To ensure e-commerce will remain free of discriminatory taxes.

"Thank you again for the opportunity to testify before you today. I look forward to working with you to enact this important legislation.

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